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Business Credit Corporation

2001 ANNUAL REPORT

Northwest Territories
Business Credit Corporation

Northwest Territories
Resources, Wildlife & Economic Development

103-04160/

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MESSAGE FROM THE CHAIR - 2001

HONOURABLE JOSEPH HANDLEY
MINISTER
RESOURCES, WILDLIFE AND ECONOMIC DEVELOPMENT

I have pleasure in presenting the Annual Report of the Northwest Territories Business Credit Corporation (BCC) for the fiscal year ending March 31, 2001.

During the year progress continued with the initiative started last year, on lending to Community Futures Development Corporations (CFDC's). In consultation with these organizations and the Financial Management Board Secretariat, Operational Guidelines have been developed that will allow BCC to lend capital funds to CFDC's. This will enable these organizations to continue providing smaller loans to all communities and complement the services of the BCC.

As a further step in the streamlining of financial programs, the Business Program Review Committee undertook extensive public consultation in a wide range of communities, to determine the nature and scope of delivery of financial programs in the Northwest Territories. It is expected that the recommendations of the Committee will be available shortly.

The financial results for this year showed a decrease in the number and value of credit facilities authorized, compared with the previous year. A total of 53 credit facilities were authorized this year for a total of $5.4 million, compared with 74 for $9.9 million in 2000. However, most of the decrease can be attributed to reduce lending activity in Level I communities, which includes Yellowknife. This is an indication that would suggest that private financial institutions are providing the required financing.

On the other hand, the numbers of credit facilities authorized to businesses in the Level 2 and 3 communities actually increased by 22%, showing that BCC lending services are still needed in these smaller communities that do not have access to other financial institutions.

MESSAGE FROM THE CHAIR – 2001 (continued)

I wish to thank the Board of Directors, the BCC CEO and staff and the Deputy Minister and staff of the Department of Resources, Wildlife and Economic Development, for their support and assistance throughout the year.

Kimberly Staples
Chairperson

II. BOARD OF DIRECTORS (ON MARCH 31,2001)

Ms. Kimberly Staples	Chairperson	Yellowknife
*Mr. Darrell Beaulieu	Vice-Chairperson	Yellowknife (Ndilo)
Ms. Freida Martselos	Director	Fort Smith
Mr. Gordon Villeneuve	Director	Fort Simpson
Ms. Alison de Pelham	Director	Fort Simpson
*Mr. Michael Maher	Director	Hay River
*Mr. Eddie Dillon	Director	Tuktoyaktuk
*Mr. Jackson Lafferty	Director	Rae-Edzo

*** Directors representing Community Futures Organizations**

III. OBJECTIVE

The objective of the BCC is to stimulate economic development and employment in the Northwest Territories, by making loans to business enterprises, guaranteeing loans made by financial institutions to businesses and by providing bonds to resident business enterprises. It is responsible for making business loans to northern businesses where conventional lending institutions are not prepared to participate. Its role, therefore, is a blend of being a last resort lender and a developmental agency to provide financial support for higher risk entrepreneurial ventures.

IV. HISTORICAL HIGHLIGHTS

1970 The Small Business Loan Fund was created by Indian and Northern Affairs Canada, to provide financing to those businesses and individuals unable to obtain reasonable commercial debt financing from conventional lenders.

1977 The Small Business Loan Fund was transferred to the Government of the Northwest Territories. The scope of the fund was expanded to allow the provision of loan guarantees and loan and guarantee limits were increased to $500,000 from $50,000.

1982 The Business Loan and Guarantees Fund was opened to all qualifying territorial businesses and the word small was removed from the fund's title. Previously businesses whose gross revenues exceeded $1 million were ineligible.

1985 The Fund provided contract security to businesses unable to obtain the bonding required to participate in NWT Housing Corporation construction projects.

1986 The Fund's capitalization was increased to $16 million.

1989 The Fund's capitalization was increased to $20 million.

1991 The *BCC Act* was proclaimed and the Corporation commenced operations. Loan and guarantee limits were raised to $1 million.

1992 The assets of the Business Loans and Guarantees Fund were transferred to the Business Credit Corporation.

1993 The BCC is included in a review of Department of Economic Development & Tourism in connection with reorganization of the Department and the Business Credit Corporation.

1994 In accordance with the suggestions incorporated in this review, BCC staff is increased to provide a greater degree of independence and increased service to clients.

Lending authority, to a maximum of $200,000, is delegated to Regional Superintendents of Department of Economic Development & Tourism. This is designed to provide quicker turn-around time for the majority of BCC loan applications.

Operational Procedures are formulated by BCC, in consultation with the Department of Economic Development & Tourism, to provide guidance and support to Regional Superintendents and ensure conformity with prudent lending practices, at the same time acting in accordance with Ministerial Directives and the objectives of the BCC.

IV. HISTORICAL HIGHLIGHTS (continued)

1995 The BCC's fund limit is increased to $23 million. This limit can be extended as far as $50 million under the existing legislation, upon approval of the Financial Management Board.

1996 BCC's Fund limit is increased to $28 million.

1997 BCC reports to the Minister of the newly amalgamated Department of Resources, Wildlife and Economic Development (RWED).

Sahtu Regional Office established. Credit facilities to businesses in this area were transferred to Sahtu from the Inuvik Region, who formerly administered this area.

Access to Capital - a review of lending for small business in the North, is commissioned by RWED. This report considers the BCC and local Community Futures organizations to see how they can work together to provide the best service to the public.

1998 BCC's Fund limit is increased to $33 million.

1999 BCC's Fund limit is increased to $38 million.

New Directors, representing Community Futures Organizations, are appointed to the Board on March 31st, 1999.

2000 Loan balances totalling $7.457 million are transferred to the newly created Nunavut BCC.

BCC administers Nunavut's loan portfolio under a one year service agreement up to March 31, 2000.

2001 Business Program Review Committee undertakes Community consultations regarding the nature and scope of streamlining financial programs in the NWT.

V. LENDING PARAMETERS

a) Maximum liability for any one business or group of related businesses - $1 million;

b) Maximum amount for any one business loan, bond, guarantee or indemnity - $1 million;

c) Maximum loan term - 5 years;

d) Maximum loan amortization - 25 years;

e) Interest rates of:

1. - two percent p.a. (2%) over commercial bank's prime lending rate, for low to medium risk loans.
2. - three percent p.a (3%) over commercial bank's prime lending rate for high risk loans.

VI. COMMUNITY LEVELS

LEVEL 1 COMMUNITIES - Yellowknife, Hay River, Fort Smith, and Inuvik.

LEVEL 2 COMMUNITIES - Fort Simpson, Norman Wells, and Rae-Edzo.

LEVEL 3 COMMUNITIES - All other communities not listed above.

VII. CREDIT FACILITY PERFORMANCE AND APPROVAL LEVELS

	2001 FISCAL YEAR END VALUES	
REGION	**Estimated Target ($ 000's)**	**Actual ($ 000's)**
1. South Slave		
Loan to CFDC's	-	-
	$2,200	$1,050
Contract Security Facility	$3,00	-
Sub Total	*$5,500*	*$1,050*
2. North Slave		
Loan to CFDC's		
Akaitcho	$500	-
Dogrib	$500	-
Loans to other business enterprises	$2,000	$2,053
Contract Security Facility	$75	-
Sub Total	*$3,075*	*$2,053*
3. Deh Cho		
Loan to CFDC's	$250	-
Loans to other business enterprises	$1,500	$201
Contract Security Facility	$100	-
Sub Total	*$1,850*	*$201*
4. Inuvik		
Loan to CFDC's	-	-
Loans to other business enterprises	$1,500	$908
Contract Security Facility	$200	-
Sub Total	*$1,700*	*$908*
5. Sahtu		
Loan to CFDC's	$200	-
Loans to other business enterprises	$1,765	$1,227
Contract Security Facility	-	-
Sub Total	*$1,965*	*$1,227*
TERRITORIAL TOTAL	**$11,090**	**$5,439**

VIII. LOAN ACCOUNTS WRITTEN OFF AND FORGIVEN (FISCAL YEAR 2000-2001)

➢ LOAN ACCOUNTS WRITTEN OFF

ACCOUNT	AMOUNT
1. Asian Food and Video A partnership between Vincenta A. Sumcad-Bugg and Estrellita C. Sumcad	$27,169.79
2. Wolverine Cabs A proprietorship of John Itsi	$12,591.12
3. Petitot Plumbing A proprietorship of Brian Hope	$7,788.25
4. Amisk Enterprises A proprietorship of Henry Beaver	$13,478.15
Total Amount Written Off	**$61,027.31**

➢ LOAN ACCOUNTS FORGIVEN

ACCOUNT	AMOUNT
1. Ram Concrete Limited	$249,528.29
2. Slave River Mechanical Ltd.	$15,001.42
Total Amount Forgiven	**$264,529.71**

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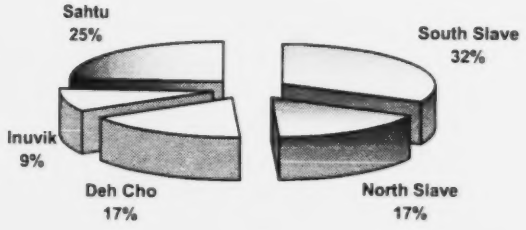
IX. ANNUAL STATISTICS

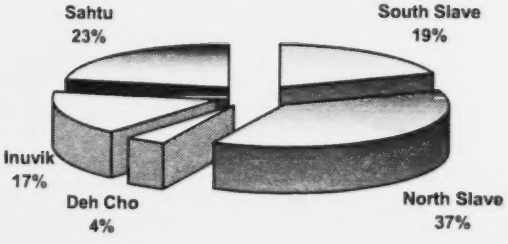
REGIONAL SUMMARY OF APPROVED LOANS BY AUTHORITY LEVEL

	Regional Authority		Board/Minister Authority			
Region	Number	Amount	Number	Amount	Total Number	Total Amount
South Slave	16	976	1	74	17	1,050
North Slave	7	639	2	1,414	9	2,053
Deh Cho	9	201	0	0	9	201
Inuvik	4	513	1	395	5	908
Sahtu	12	952	1	275	13	1,227
Total	**48**	**3,281**	**5**	**2,158**	**53**	**5,439**

Number of Approved Loans for 2000/2001



Total Amount Approved for 2000/2001



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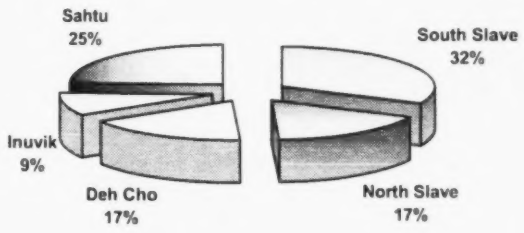

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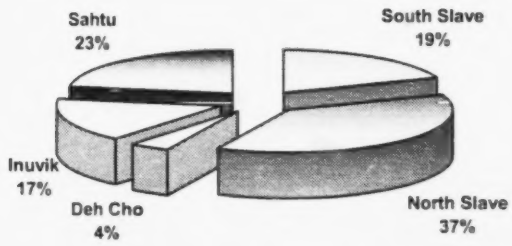
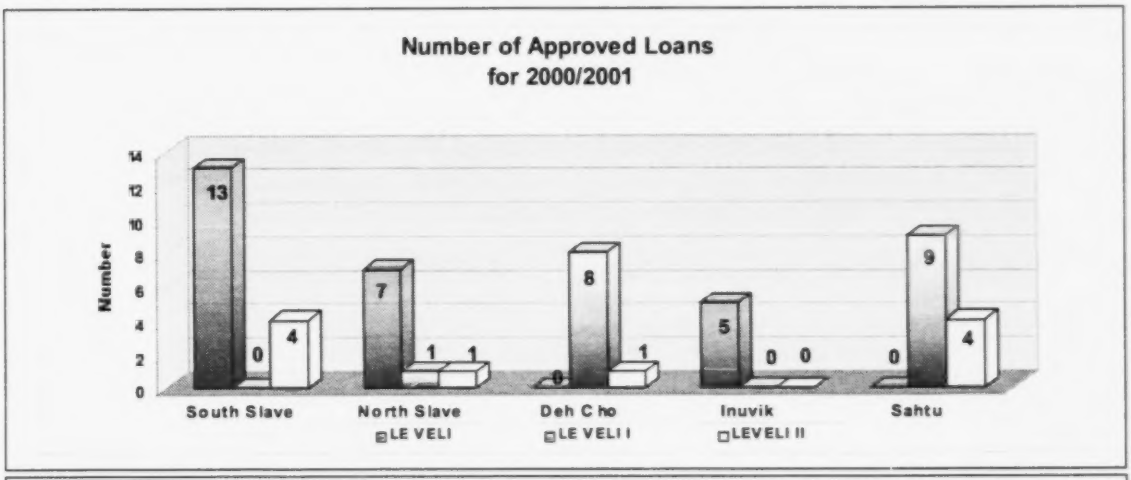
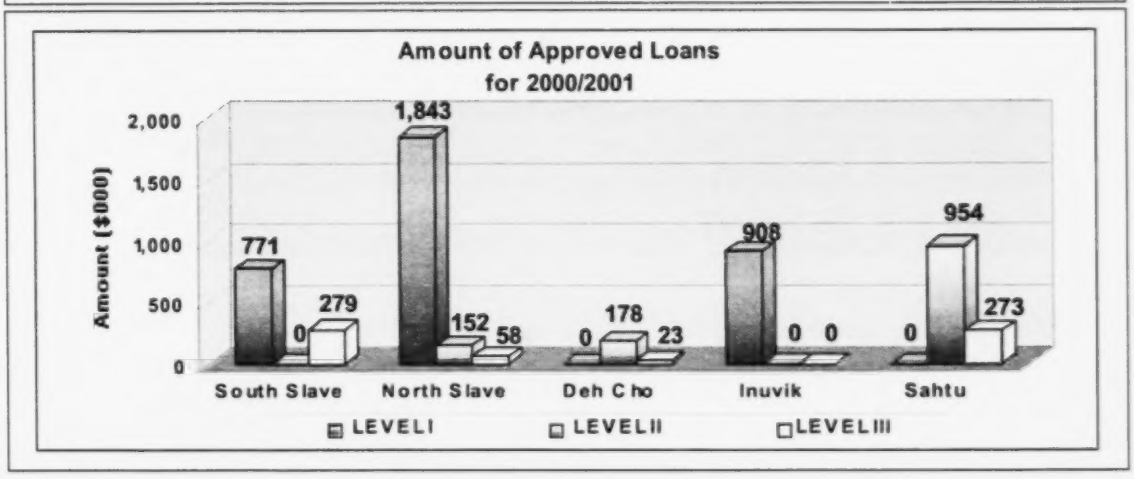


REGIONAL SUMMARY OF APPROVED LOANS BY COMMUNITY LEVELS

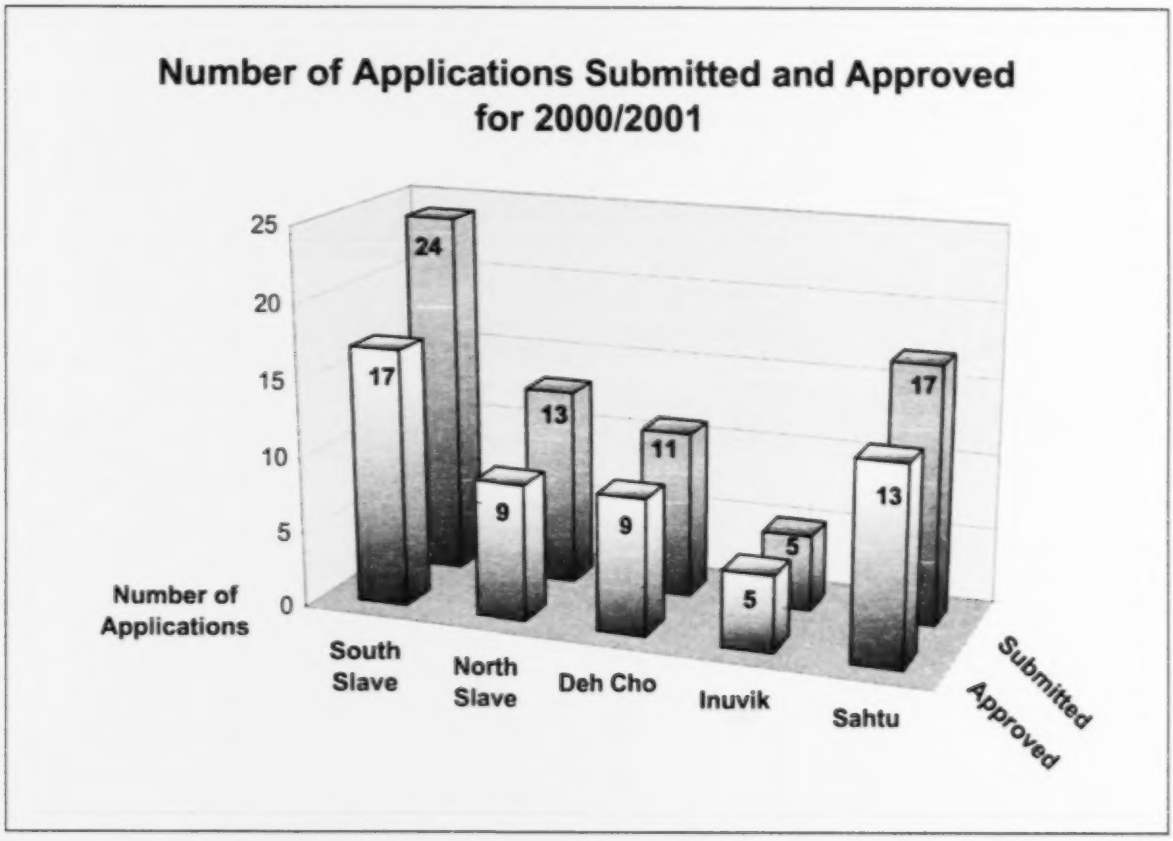
Region	LEVEL I		LEVEL II		LEVEL III		TOTAL	
	Number	Amount ($)	Number	Amount ($)	Number	Amount ($)	*Number*	*Amount ($)*
South Slave	13	771	0	0	4	279	*17*	*1,050*
North Slave	7	1,843	1	152	1	58	*9*	*2,053*
Deh Cho	0	0	8	178	1	23	*9*	*201*
Inuvik	5	908	0	0	0	0	*5*	*908*
Sahtu	0	0	9	954	4	273	*13*	*1,227*
Total	**25**	**3,522**	**18**	**1284**	**10**	**633**	**53**	**5,439**





NUMBER OF APPLICATIONS SUBMITTED & APPROVED BY REGION

Region	2000 Submitted	2000 Approved	2001 Submitted	2001 Approved
South Slave	67	45	24	17
North Slave	15	12	13	9
Deh Cho	7	7	11	9
Inuvik	4	3	5	5
Sahtu	9	7	17	13
Total	**102**	**74**	**70**	**53**



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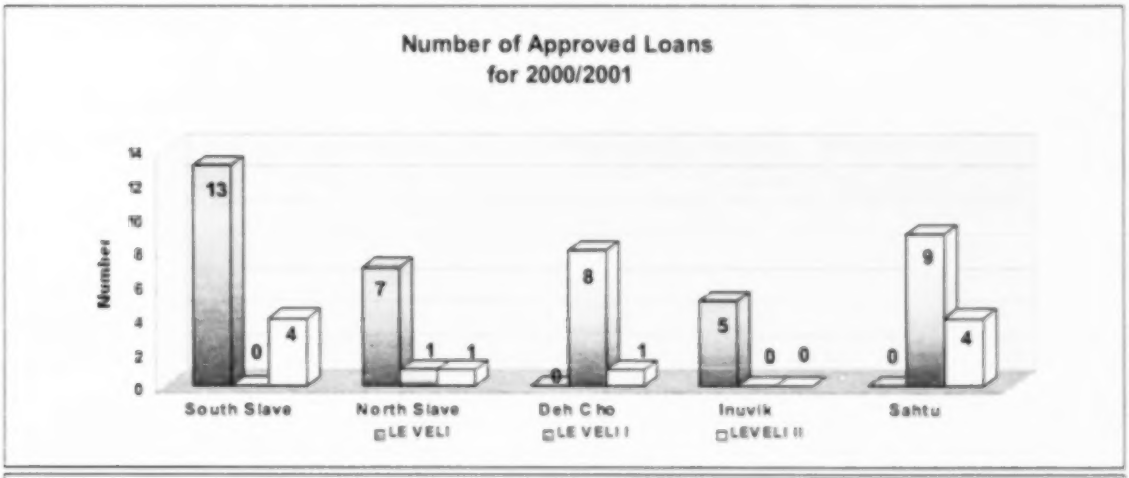

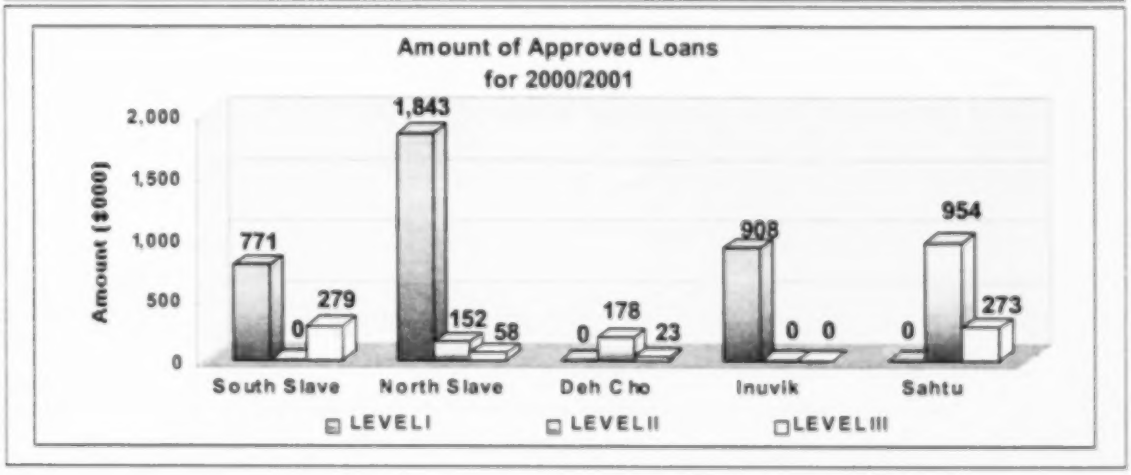

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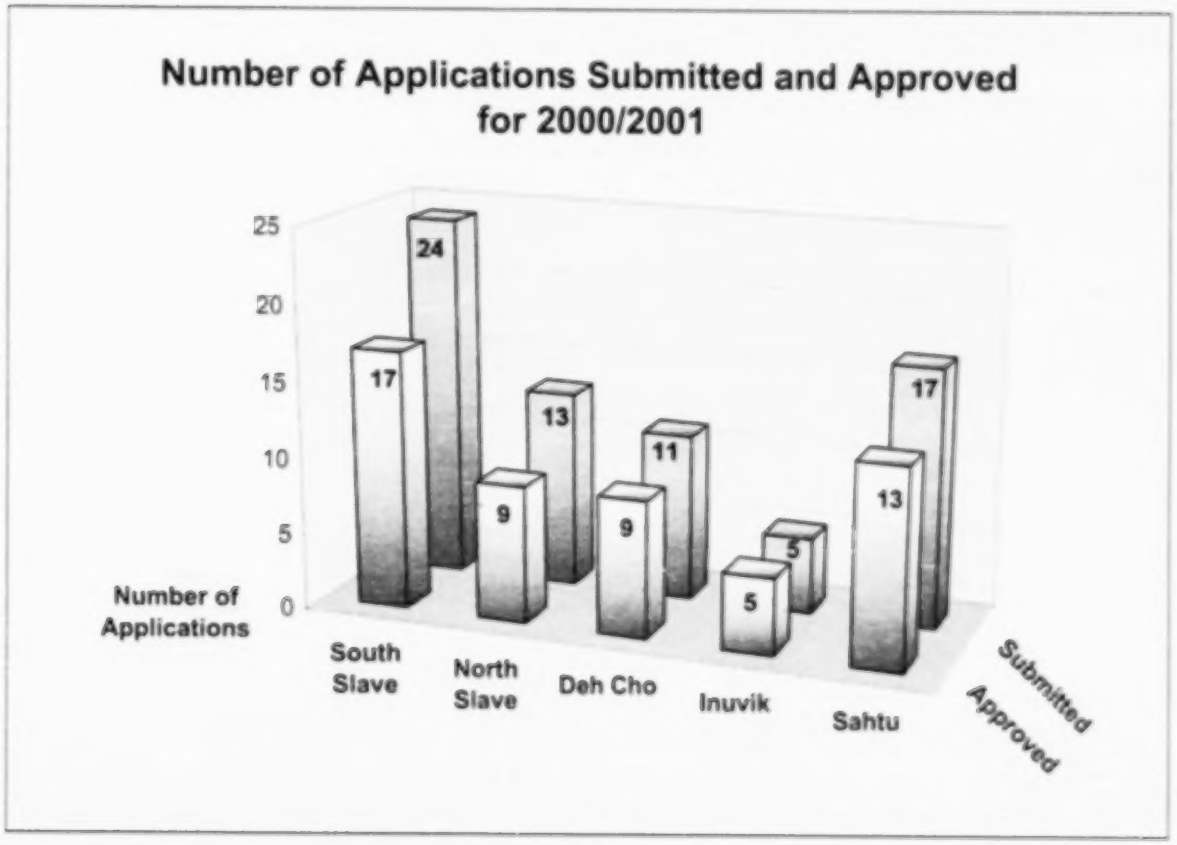
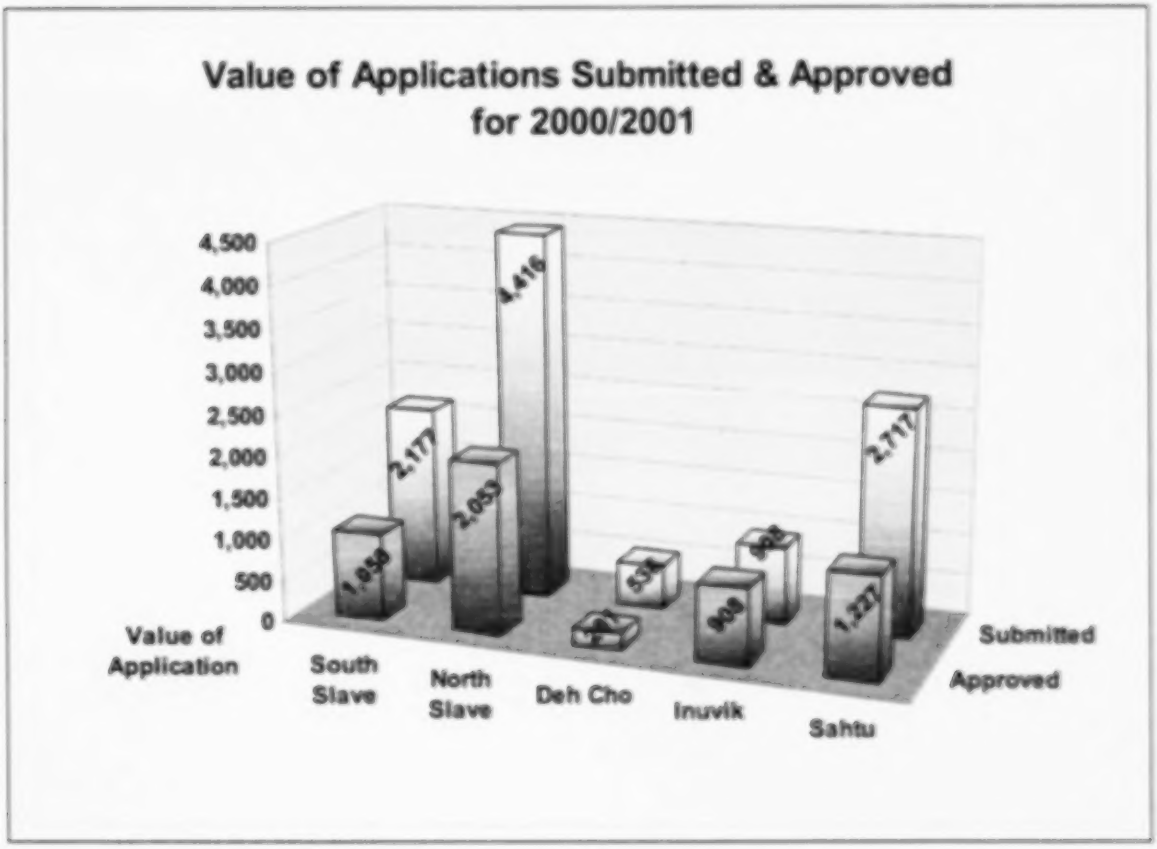


VALUE OF APPLICATIONS SUBMITTED & APPROVED BY REGION ($000)

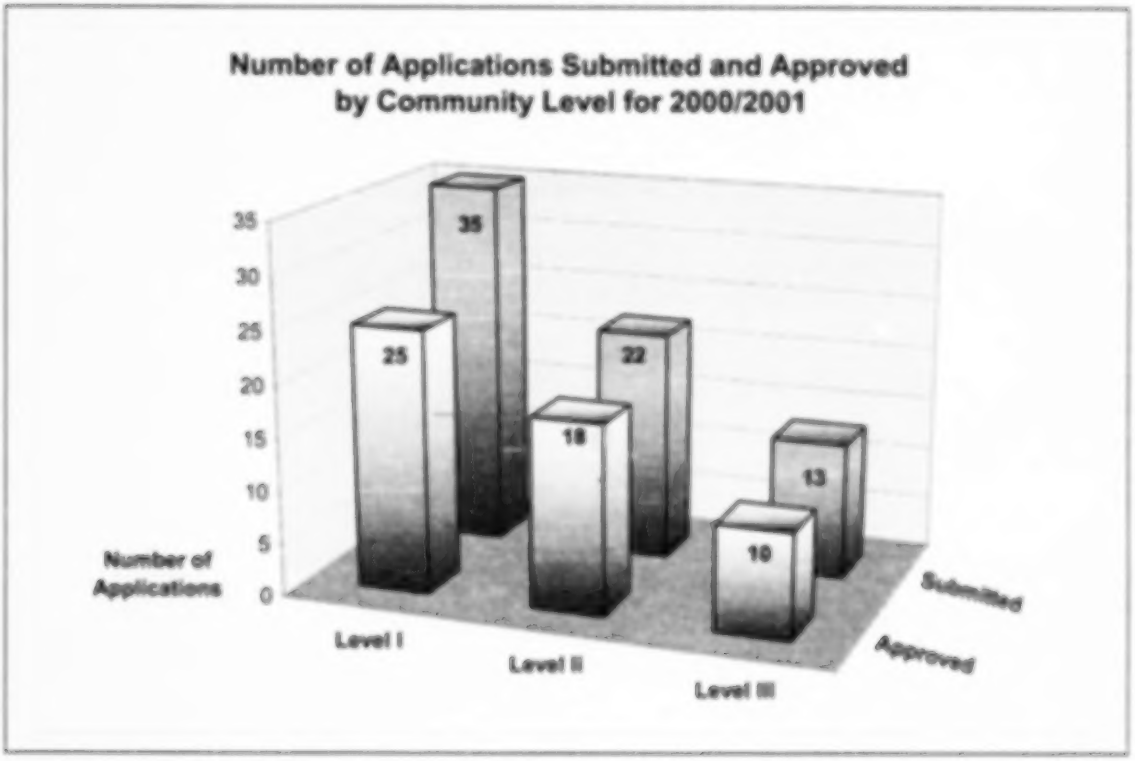
Region	2000 Submitted	2000 Approved	2001 Submitted	2001 Approved
South Slave	5,734	3,337	2,177	1,050
North Slave	4,552	3,568	4,416	2,053
Deh Cho	1,544	1,544	536	201
Inuvik	1,670	950	908	908
Sahtu	607	587	2,717	1,227
Total	**14,107**	**9,986**	**10,754**	**5,439**



NUMBER OF APPLICATIONS SUBMITTED & APPROVED BY COMMUNITY LEVEL

	2000 Submitted	2000 Approved	2001 Submitted	2001 Approved
Level I	72	51	35	25
Level II	7	7	22	18
Level III	23	16	13	10
Total	**102**	**74**	**70**	**53**

Community Levels
Level I - Yellowknife, Hay River, Fort Smith, Inuvik
Level II – Rae-Edzo, Fort Simpson, Norman Wells
Level III – All other communities not listed above



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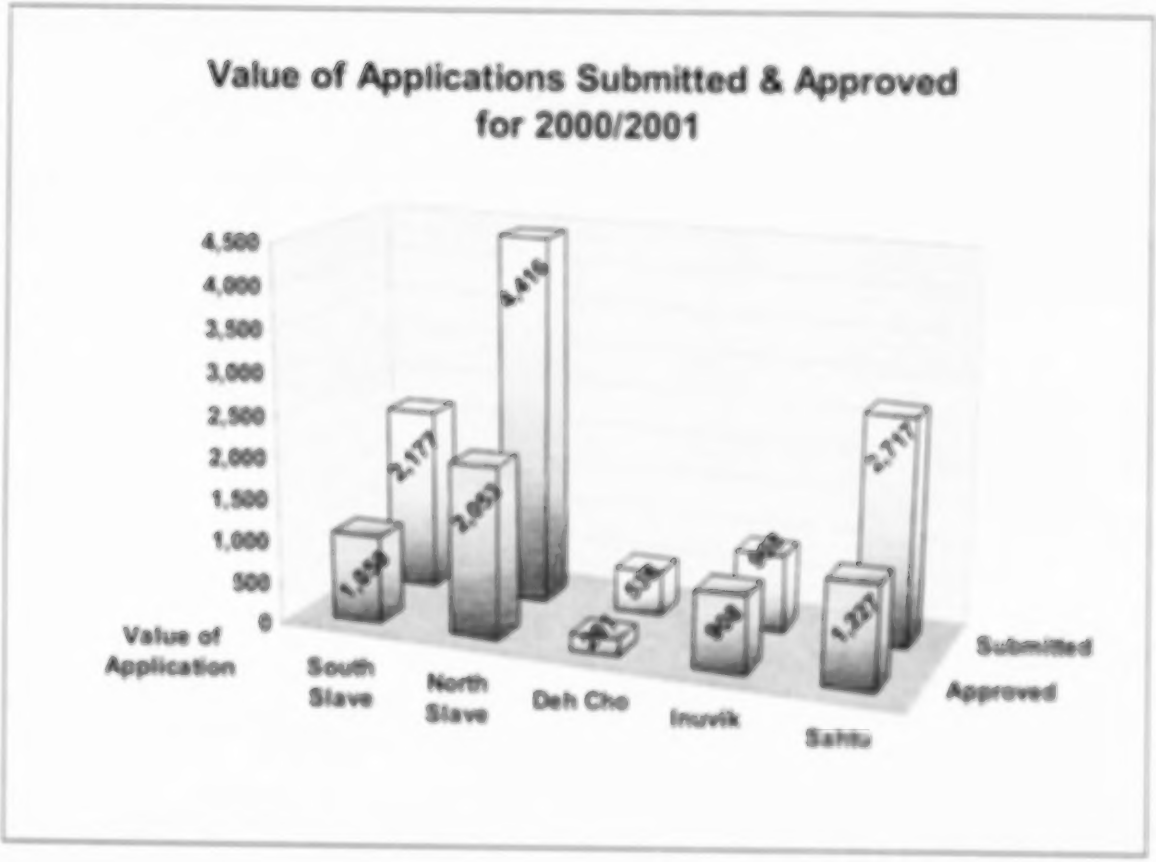

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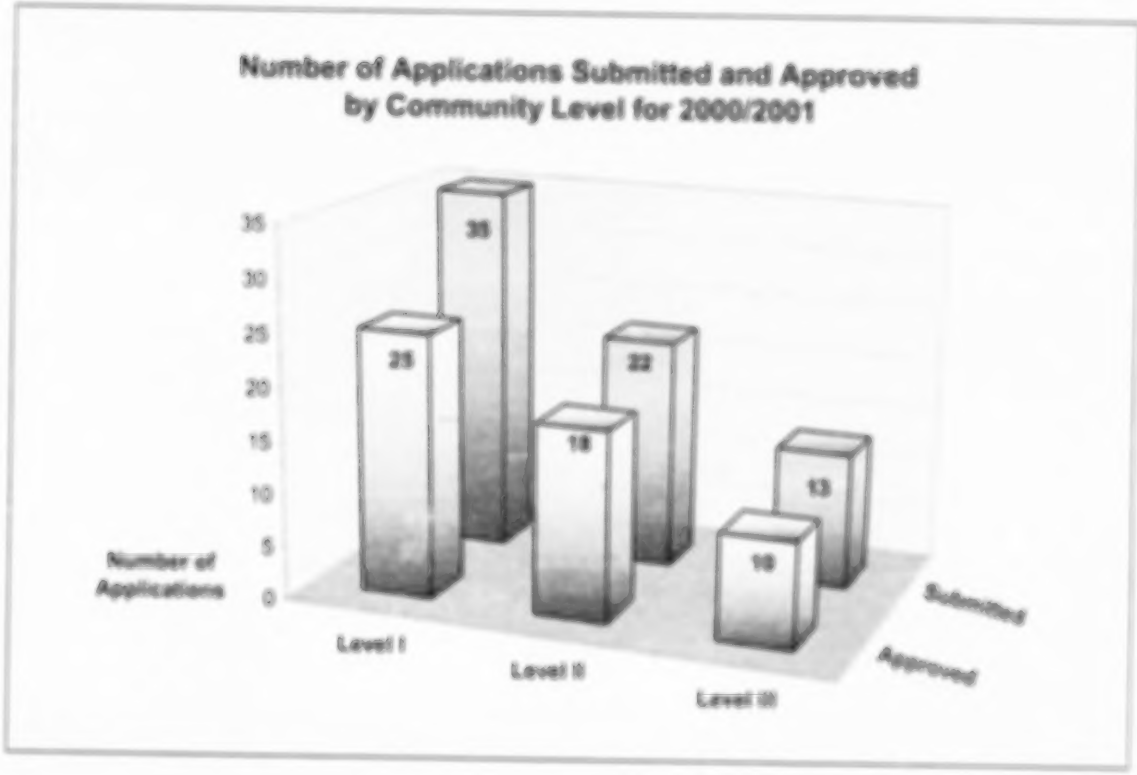
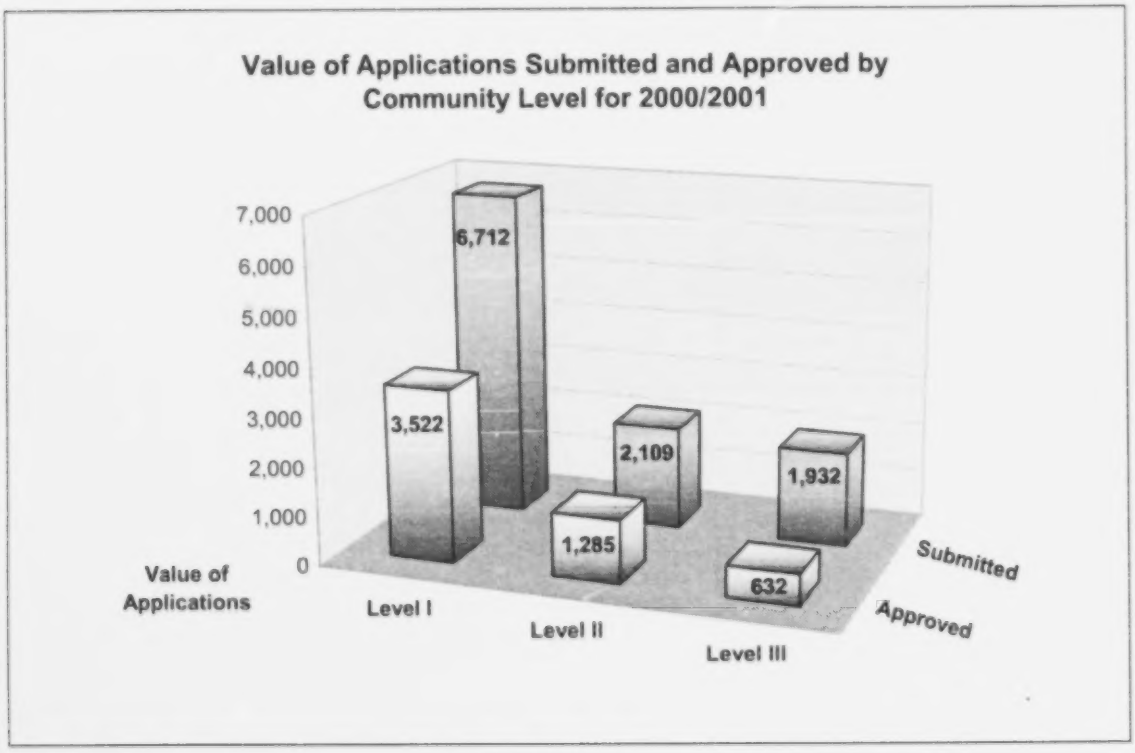


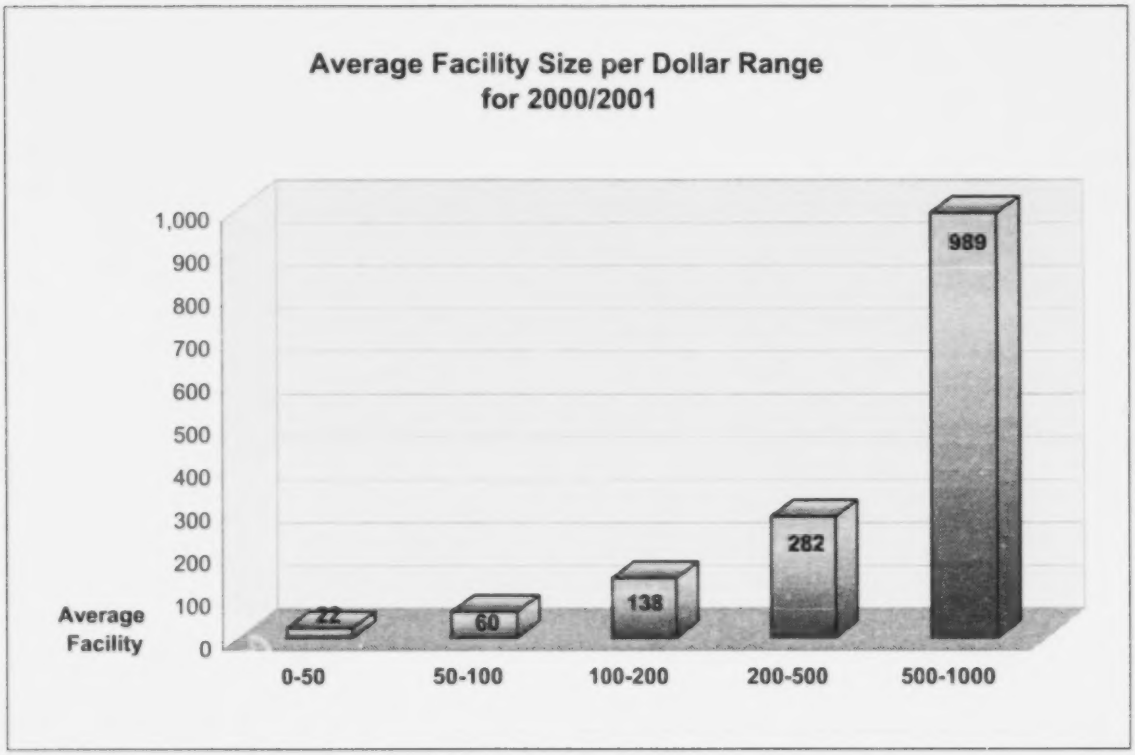
VALUE OF APPLICATIONS SUBMITTED & APPROVED BY COMMUNITY LEVEL

	2000 Submitted	2000 Approved	2001 Submitted	2001 Approved
Level I	8,994	5,459	6,712	3,522
Level II	608	608	2,109	1,285
Level III	4,505	3,919	1,932	632
	14,107	**9,986**	**10,753**	**5,439**



RANGE OF TOTAL CREDIT FACILITIES APPROVED ($000'S)

Dollar Range	No.	Total Approved Amount	Avg. Facility 2000/2001	Avg. Facility 1999/2000
0-50	25	552	22	18
50-100	9	544	60	66
100-200	12	1,659	138	164
200-500	6	1,695	282	327
500-1000	1	989	989	751
Total	**53**	**5,439**	**103**	**135**



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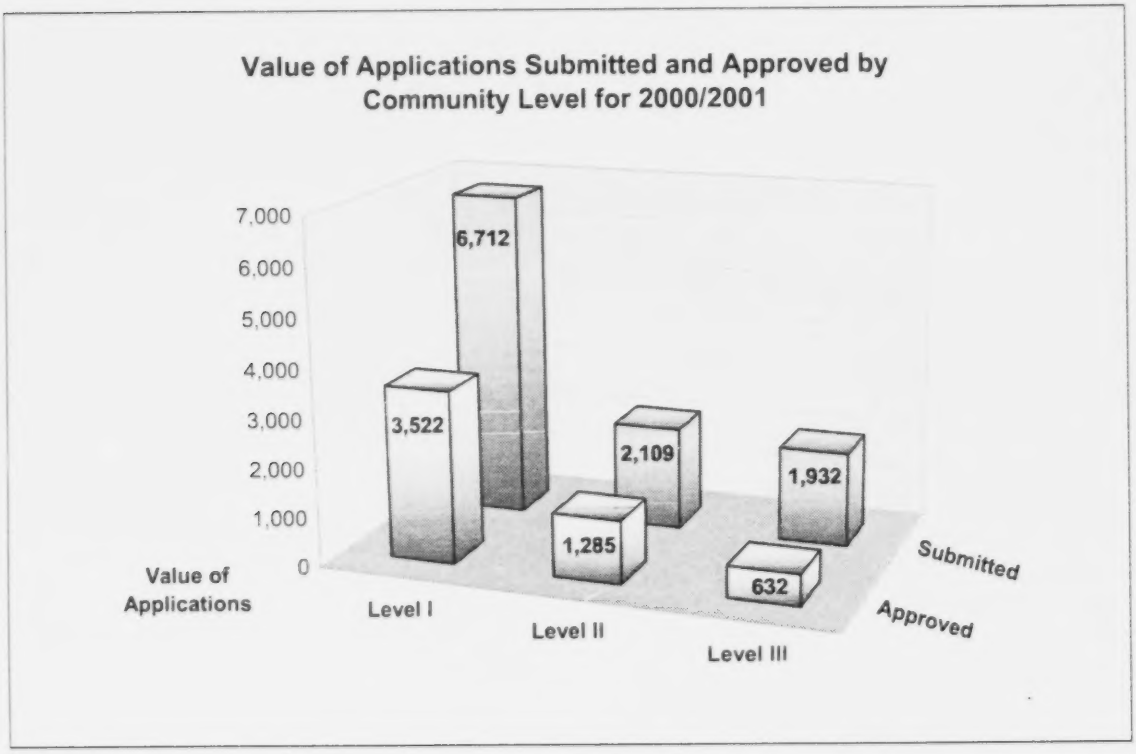

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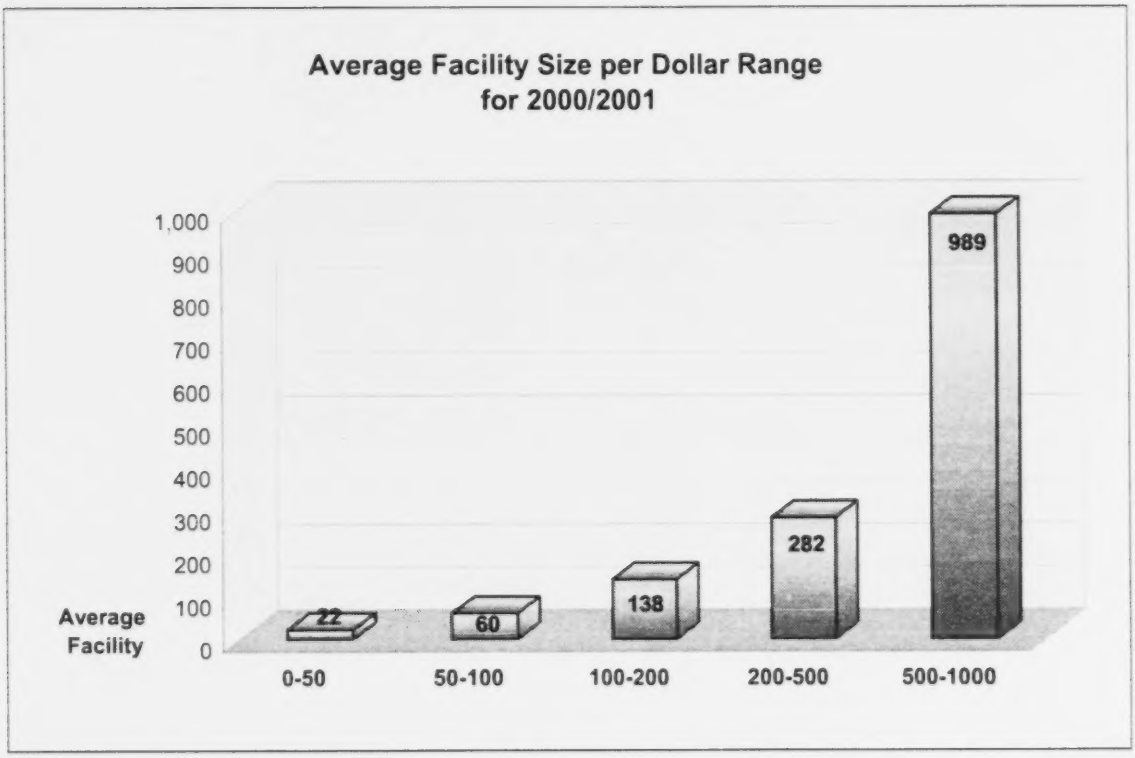
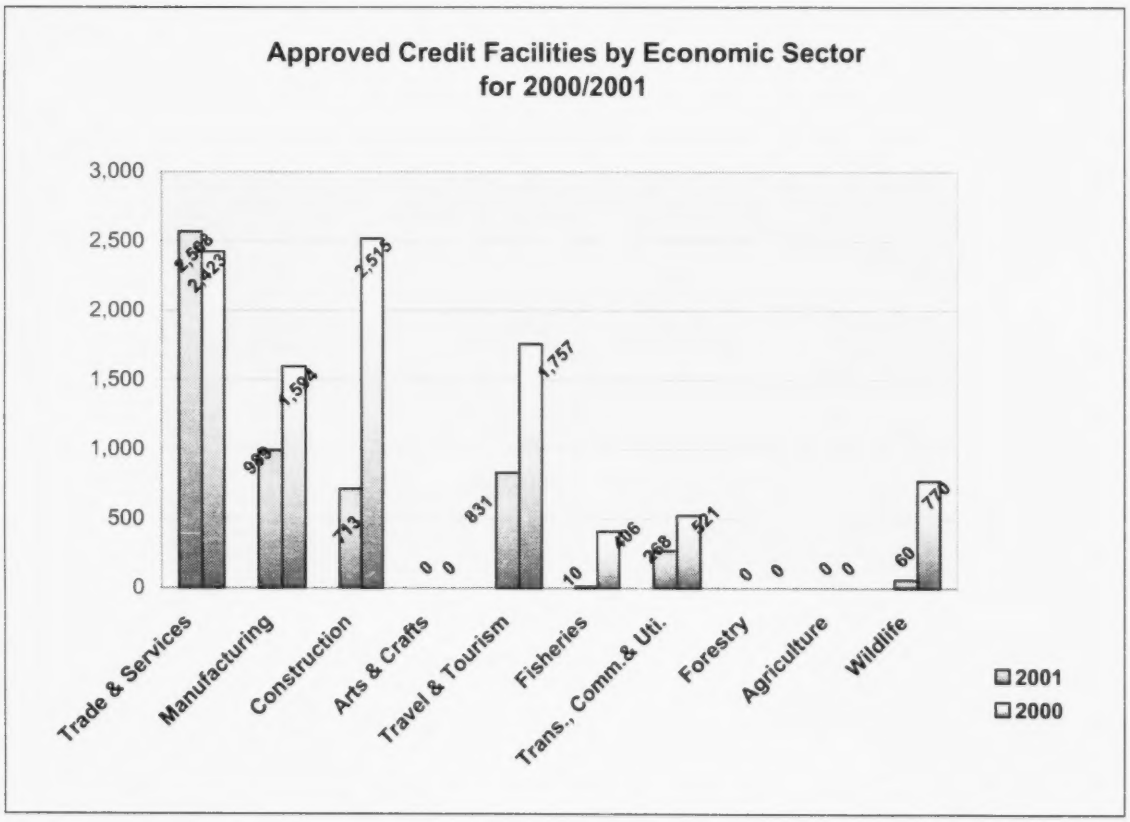


APPROVED CREDIT FACILITIES BY ECONOMIC SECTOR ($000)

Economic Sector	Total 2001	Total 2000
Trade & Services	2,568	2,423
Manufacturing	989	1,594
Construction	713	2,515
Arts & Crafts	0	0
Travel & Tourism	831	1,757
Fisheries	10	406
Trans., Comm.& Uti.	268	521
Forestry	0	0
Agriculture	0	0
Wildlife	60	770
Total	**5,439**	**9,986**



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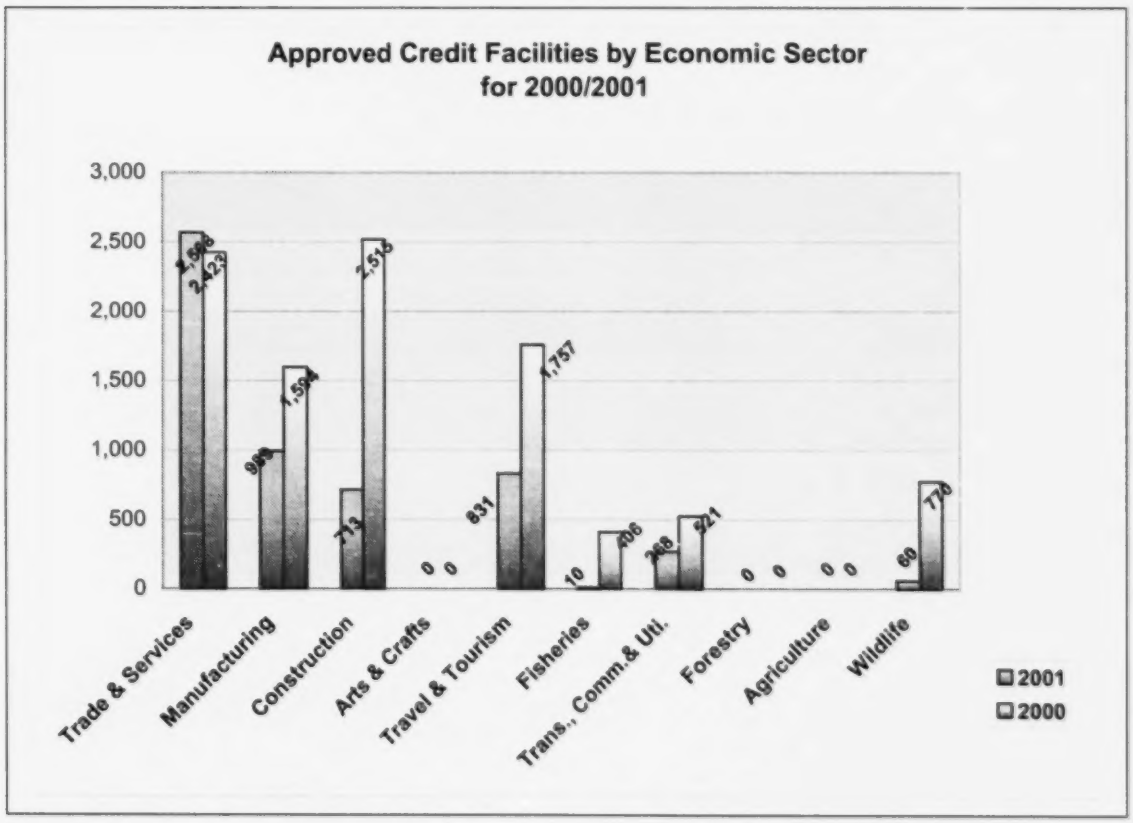
Wildlife	60	770
Total	**5,439**	**9,986**



FINANCIAL STATEMENTS

MARCH 31, 2001

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NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

Management's Responsibility for Financial Reporting

The accompanying financial statements of the Northwest Territories Business Credit Corporation (the Corporation) were prepared by management in accordance with Canadian generally accepted accounting principles. When alternative accounting policies exist, management has chosen those it deems most appropriate in the circumstances. Financial statements include amounts requiring estimates, which have been made based upon informed judgment as to the expected results of current transactions and events, such as the provision for losses on impaired loans and services provided by the Government of the Northwest Territories without charge. Management has prepared the financial information presented elsewhere in this annual report and has ensured that it is consistent with the financial statements.

The Corporation maintains internal financial and management systems and practices which are designed to provide reasonable assurance that reliable financial and non-financial information is available on a timely basis, and that assets are acquired prudently, used to further the Corporation's aims, and are protected from loss.

The Corporation is subject to the Northwest Territories Business Credit Corporation Act and the Financial Administration Act. It also receives ministerial directives establishing policy guidelines. Management recognizes its responsibility for conducting the Corporation's affairs in accordance with the requirements of applicable legislation and for maintaining standards of conduct that are appropriate to a territorial Crown corporation.

The Board of Directors appoints certain of its members to serve on the Management Sub-Committee. This Sub-Committee oversees management's responsibility for financial reporting and reviews and recommends the financial statements to the Board for approval.

The Auditor General of Canada annually provides an independent audit for the purpose of expressing her opinion on the financial statements. She also considers whether the transactions that come to her notice in the course of this audit are, in all significant aspects, in accordance with the specified legislation.

Afzal Currimbhoy
Chief Executive Officer

June 8, 2001

AUDITOR GENERAL OF CANADA VÉRIFICATEUR GÉNÉRAL DU CANADA

AUDITOR'S REPORT

To the Minister of the
Northwest Territories Business Credit Corporation

I have audited the balance sheet of the Northwest Territories Business Credit Corporation as at March 31, 2001 and the statement of operations and deficit and statement of cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, proper books of account have been kept by the Corporation, and the financial statements are in agreement therewith and the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part IX of the *Financial Administration Act* and regulations, the *Northwest Territories Business Credit Corporation Act* and regulations and the by-laws of the Corporation.

Ronald C. Thompson, CA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
June 8, 2001

NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

BALANCE SHEET
MARCH 31, 2001

	$ 000's	
ASSETS	**2001**	**2000**
Cash (Note 3)	$ 145	$ 345
Loans Receivable (Note 4)	30,977	31,114
Accrued Interest Receivable (Note 4)	190	195
	31,167	31,309
Less: Allowance for Losses on Impaired Loans (Note 5)	5,219	4,796
	25,948	26,513
Capital Assets (net of accumulated amortization of $54 (2000: $30))	41	63
	$ 26,134	$ 26,921
LIABILITIES		
Accounts Payable	$ -	$ 7
Deferred Capital Contribution	41	63
Advance from the Government of the Northwest Territories (Note 6)	27,551	27,968
	27,592	28,038
DEFICIT		
Deficit	(1,458)	(1,117)
	$ 26,134	$ 26,921

CONTINGENT LIABILITIES (NOTE 7)

APPROVED:

Chairperson of the Board of Directors

Chief Executive Officer

The accompanying notes form an integral part of the financial statements.

NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

STATEMENT OF OPERATIONS AND DEFICIT
For the Year Ended March 31, 2001

	$ 000's	
LENDING ACTIVITIES	**2001**	**2000**
Interest Income on Loans Receivable	$ 1,984	$ 1,850
Interest Expense on Advance from the Government of the Northwest Territories (Note 6)	1,576	1,467
Net Interest Income	408	383
Provision for Losses on Impaired Loans (Note 5)	749	421
Net Loss on Lending Activities	(341)	(38)
ADMINISTRATIVE EXPENSES		
Salaries and Benefits	535	477
Professional Fees	53	39
Board Meetings	39	64
Office	29	40
Amortization	23	6
Communications	14	18
Computer Services	3	5
	696	649
Net loss before contributions toward administrative expenses	(1,037)	(687)
Less: Contributions toward administrative expenses from:		
Government of the Northwest Territories (Note 8)	696	489
Service Agreement	-	160
	696	649
NET LOSS FOR THE YEAR	(341)	(38)
DEFICIT AT THE BEGINNING OF THE YEAR	(1,117)	(1,079)
DEFICIT AT THE END OF THE YEAR	$ (1,458)	$ (1,117)

The accompanying notes form an integral part of the financial statements.

NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

STATEMENT OF CASH FLOWS
For the Year Ended March 31, 2001

	$ 000's	
CASH FLOWS FROM OPERATING ACTIVITIES	**2001**	**2000**
Interest Income on Loans Receivable	$ 1,936	$ 1,827
Contributions Received Toward Administrative Expenses	647	643
Administrative Expenses Paid	(647)	(643)
Interest Received on Bank Account	48	23
	1,984	1,850
CASH FLOWS FROM INVESTING ACTIVITIES		
Loans Receivable Repaid	6,733	3,921
Loans Receivable Disbursed	(6,924)	(8,245)
Purchase of Capital Assets	(2)	(59)
	(193)	(4,383)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advance from the Government of the Northwest Territories	1,000	4,513
Repayment of Advance from the Government of the Northwest Territories	(2,993)	(1,703)
Contribution Received Toward Acquisition of Capital Assets	2	59
	(1,991)	2,869
NET (DECREASE) INCREASE IN CASH	$ (200)	$ 336
Cash at Beginning of the Year	$ 345	$ 9
Cash at End of the Year	$ 145	$ 345

The accompanying notes form an integral part of the financial statements.

NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2001

1. AUTHORITY, OBJECTIVE AND OPERATION

The Corporation was established in 1991 pursuant to the Northwest Territories Business Credit Corporation Act (Act). It is subject to the Financial Administration Act and is a Crown corporation of the Government of the Northwest Territories (the Government) and is exempt from income tax.

The Corporation's objective is to stimulate economic development and employment in the Northwest Territories to resident business enterprises, by providing loans, guaranteeing loans made by financial institutions, providing bonds and indemnifying bonding companies which have provided bonds. In addition, the Corporation is responsible for making business development loans to Northern businesses to create economic development opportunities in communities where conventional lending institutions are not prepared to participate. The Corporation's role is a blend of being a last resort lender and a developmental agency for higher risk entrepreneurial ventures.

Economic dependency

The Corporation is economically dependent upon the Government's continuing contributions for direct administrative expenses and advances.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Corporation have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies followed by the Corporation in the preparation of these financial statements are summarized below.

Loans

Loans are stated at the lower of principal amounts or estimated realizable amounts receivable. Accrued interest receivable and an allowance for losses on impaired loans are recorded separately.

Allowance for losses on impaired loans

The allowance for losses on impaired loans represents management's best estimate of probable losses on loans at the end of the fiscal year. The allowance has a specific and general component.

NOTES TO FINANCIAL STATEMENTS

March 31, 2001

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Allowance for losses on impaired loans (cont'd)

a) Specific allowance: A loan is classified as impaired when one or more of the following conditions exist:

- in the opinion of management, there is reasonable doubt as to the ultimate collectability of principal or interest, or
- principal or interest is six months past due, unless the loan is well secured, or
- the loan has been previously restructured and principal or interest is three months past due, or
- principal or interest is twelve months past due regardless of whether or not the loan is well secured.

When a loan is classified as impaired, the carrying amount of the loan is reduced to its estimated realizable amount as determined based on management's estimates. This is the lower of the recorded amount of the loan or the net fair market value of the underlying security of the loan. The amount of initial impairment and any subsequent changes in the amount of impairment are recorded as a charge or credit to the specific allowance.

b) General allowance: In addition to the specific allowance, the Corporation maintains a general allowance, established at two percent (2%) of loans receivable, net of the specific provision, to reflect management's estimate for losses on those impaired loans which cannot yet be specifically identified. The general allowance is determined based on historical loss experience, aggregate exposure in particular industries or geographical regions, and prevailing economic conditions.

Revenue recognition

Interest revenue on loans receivable is normally recognized on an accrual basis. The Corporation ceases to accrue interest once a loan is classified as impaired. Payments received on impaired loans are credited to the loan balance and recognized as revenue only when either the loan balance has been repaid or the loan is no longer classified as impaired. Payments received on any previously written off loans are recognized as revenue.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Capital assets

Capital assets are recorded at cost. Amortization is calculated on a straight line basis over the estimated useful life of the assets as follows:

Computers	3 years
Furniture and Equipment	4 years

Employee future benefits

The Corporation and its employees who are deemed to be employees of the Government, make contributions to the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are required from both the employees and the Corporation. The total expense for the Corporation's share of the contributions totalled $49,000 at a rate of 2.14 times the employee's contribution effective April 1, 2000 (2000: $25,000 at a rate equal to the employee's contribution). These contributions represent the total pension obligation of the Corporation and are recognized in the accounts on a current basis.

Under the conditions of employment, employees earn non-pension employment benefits for annual leave, retirement and severance pay. The costs are accrued as the benefits are earned. Accrued termination benefits are paid upon resignation, retirement or death of employees by the Government of the Northwest Territories.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

3. CASH

The Corporation's cash is pooled with the Government's surplus cash that is invested in a diversified portfolio of high grade, short-term income producing assets. The cash can be withdrawn at any time, and is not restricted by maturity dates on investments made by the Government. The eligible classes of securities, categories of issuers, limits and terms are approved by the Department of Finance. All instruments depending on the investment class, are rated R-2 High or better from the Dominion Bond Rating Service. The Corporation's average investment yield was 5.3% during the year (2000: 4.6%).

Net investment income of $48,000 (2000: $23,000) is included in Interest Income on Loans Receivable.

4. LOANS AND ACCRUED INTEREST RECEIVABLE

	Range of Annual Interest Rates		$ 000's	
Region	2001	2000	2001	2000
Loans Receivable				
Deh Cho	6.75-10.25%	6.75 - 9.25%	$ 3,200	$ 3,618
Inuvik	6.75- 9.50%	6.75 - 9.25%	2,099	3,629
North Slave	6.75- 9.75%	6.75 - 9.25%	11,079	10,211
Sahtu	6.75- 9.50%	6.75 - 8.75%	2,993	2,260
South Slave	6.75-10.25%	6.75-10.25%	11,606	11,396
			30,977	31,114
Accrued Interest Receivable				
Current			125	134
Arrears			65	61
			190	195
			$ 31,167	$ 31,309

Loans receivable and accrued interest include $7,360,000 (2000: $6,976,000) that the Corporation has specifically classified as impaired. In 2001, interest not accrued on impaired loans totalled $601,000 (2000: $580,000).

4. LOANS AND ACCRUED INTEREST RECEIVABLE (CONT'D)

The value of assets in which the Corporation has title to or foreclosed on totalled $1,138,000 in the loan balance (2000: $1,090,000). These loans have related allowances for losses totalling $723,000 (2000: $627,000).

As of March 31, 2001, loans receivable are expected to mature as follows:

Maturity Date	Range of Annual Interest Rates	$ 000's
Loans past due	6.75–10.25%	$ 6,334
2002	6.75 – 9.50%	3,106
2003	6.75 – 9.75%	5,403
2004	6.75–10.25%	5,746
2005	8.25 – 9.50%	5,923
2006 and beyond	8.25–10.25%	4,465
		$ 30,977

Write-offs

Under the provisions of the Financial Administration Act, a loan (outstanding principal and interest) can only be approved for write-off by either the Legislative Assembly (over $20,000) or the Board of Directors ($20,000 or less). A loan written off is still subject to collection action.

In 2001, two accounts representing one borrower totalling $27,170 were written off by the Legislative Assembly (2000: nil).

The Board of Directors approved the write-off of three accounts representing three borrowers totalling $33,857 (2000: seven accounts representing seven borrowers totalling $65,219).

In 2001, recoveries on loans written off in previous years totalled $100 (2000: nil).

Forgiveness

Under the provisions of the Financial Administration Act, a loan can only be approved for forgiveness by either the Legislative Assembly (over $1,000) or the Financial Management Board ($1,000 or less). Once a loan has been forgiven, no further collection action is possible.

4. LOANS AND ACCRUED INTEREST RECEIVABLE (CONT'D)

Forgiveness (cont'd)

In 2001, three accounts representing two borrowers totalling $265,000 were forgiven by the Legislative Assembly (2000: nil). No accounts were forgiven by the Financial Management Board (2000: nil).

Credit risk

The Corporation's credit risk exposure relating to loans receivable is directly impacted by the borrowers' ability to meet their obligations. This ability is impacted by the borrowers' exposure to fluctuations in the economy of the Northwest Territories.

The Corporation mitigates credit risk by holding no significant concentration with any individual borrower. It is prevented by the Act from lending to any one business enterprise or to a group of related enterprises an amount in excess of $1 million. Where appropriate, the Corporation takes securities for the loans.

Fair Value

The carrying value of the loans is stated at the lower of principal amounts or estimated realizable amount receivable. The Corporation bases its estimate of the fair value of the loans on analysis of the principal outstanding and the value of any underlying security. As with any estimate, uncertainly is inherent due to the unpredictability of future events. Estimates of fair values are based on market conditions at a certain point of time, and may not be reflective of the actual values that could be realized upon settlement.

5. ALLOWANCE FOR LOSSES ON IMPAIRED LOANS

	$ 000's	
	2001	2000
Specific Allowance for Losses on Impaired Loans:		
Balance at beginning of year	$ 4,258	$ 3,982
Provision for the year	761	341
	5,019	4,323

5. ALLOWANCE FOR LOSSES ON IMPAIRED LOANS (CONT'D)

	$ 000's	
	2001	2000
Less: write-offs	61	65
forgiveness	265	-
	326	65
Balance at end of year	4,693	4,258
General Allowance for Losses on Impaired Loans:		
Balance at beginning of year	538	458
Provision for the year	(12)	80
Balance at end of year	526	538
Allowance for Losses on Impaired Loans	$ 5,219	$ 4,796

6. ADVANCE FROM THE GOVERNMENT OF THE NORTHWEST TERRITORIES

The Act authorizes the Corporation to borrow for the purpose of lending, up to $50 million from the Government through an advance. Increases to the outstanding balance of the advance must be approved by the Financial Management Board based on the need of the Corporation. The balance was not to exceed $38 million as at March 31, 2001 (2000: $38 million).

Interest on the advance is based on the rate set at the last week of each month of the Government of Canada 3-year bonds, compounded annually. The rate varied from 4.9% to 6.2% during the year (2000: 4.9% to 6.2%).

There are no fixed repayment terms on the advance. Repayment on the advance is made whenever the Corporation has sufficient cash on hand not earmarked for lending purposes.

The carrying amount of the advance from the Government of the Northwest Territories of $27,551,000 (2000: $27,968,000) approximates fair value.

7. CONTINGENT LIABILITIES

The Corporation is named as defendant in one proceeding and as co-defendant in a second proceeding. Both proceedings are related to steps taken by the Corporation to call and enforce its rights involving the collateral security of loans. An estimate of the contingent loss arising from these actions, if any, cannot be reasonable determined at this time.

8. RELATED PARTY TRANSACTIONS

In addition to those related party transactions disclosed, the Corporation is related in terms of common ownership to all Government of the Northwest Territories created departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business.

Administrative contribution

Under the terms of administrative agreements between the Corporation and the Government, direct administrative expenses of the Corporation are paid by the Government.

Services provided without charge

The Corporation does not record the value of other capital assets or services provided by the Government without charge in these financial statements. Services provided by the Government include accounting support, regional and human resource services as well as office accommodation and some capital assets. Their values are estimated as follow:

	$ 000's	
	2001	2000
Staff support	$ 154	$ 163
Accommodation	42	42
Employee long term benefits	3	2
	$ 199	$ 207

Cumulative employee long term benefits accrued at March 31, 2001 is $39,000 (2000: $35,000).

Furthermore, the Corporation receives audit services without charge from the Office of the Auditor General of Canada.